GREATER TZANEEN MUNICIPALITY

LIMPOPO PROVINCE

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

AFS Rounding : To the nearest R1

GREATER TZANEEN MUNICIPALITY

CONTACT INFORTMATION

Acting Municipal Manager	Mr M E Mankabidi
Telephone Number	015 307 8001
E-mail Address	masiye.mankabidi@tzaneen.gov.za
Chief Financial Officer	Ms N M Lion
Telephone Number	015 307 8060
E-mail Address	norah.lion@tzaneen.gov.za
Provincial Treasury	Nicky Mbungela
Telephone Number	015 291 8534
E-mail Address	MbungelaNN@treasury.gov.za
AGSA	Daniel Tjale
Telephone Number	015 299 4401
E-mail Address	dtjale@agsa co za
National Treasury	Thomas Matjeni
Telephone Number	012 315 5792
E-mail Address	thomas.matjeni@treasury.gov.za

GREATER TZANEEN MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS : 2011/2012

TABLE OF CONTENTS

GREATER TZANEEN MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS : 2011/2012

GENERAL INFORMATION

Mayor: Councillor D J Mmetle

Members of the Executive Committee:

		Portfolio
Councillor	D J Mmetle	
Councillor	C Machimana	Finance
Councillor	M Mokgomole	Agriculture& Environment Management
Councillor	R Pohl	
Councillor	C Nkhwashu	Water Service
Councillor	R R Selomo	Infrastrucuture
Councillor	S J Nkuna	Health & Social Development
Councillor	B Sekgotodi	Public Transport & Roads
Councillor	S M Maunatlala	Economic Development,Housing & Spatial Development Plan
Councillor	M R Shingange	Corporate Gov. & Shared Services
Councillor	P Machete	Speaker
Councillor	M N Mboweni	Chief whip

Members of the Audit Committee:

Mr. T.C.	Modipane	Chairperson
Ms. F.J.	Mudau	Member
Mr. H.G.	Hlomane	Member
Mr. S.A.B	Ngobeni	Member
Adv. S.S.T.	Kholong	Member

Banker:

ABSA
TZANEEN
0850

Legal form of entity South African Local Municipality as defined by the Municipal Structures Act (Act no 117 of 1998)

Nature of business and principal activities
Greater Tzaneen Municipality is a local municipality performing the functions as set out in the constitution (Act no 105 of 1996)

GREATER TZANEEN MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS : 2011/2012

GENERAL INFORMATION (CONTINUES)

GTEDA is a Municipal Agency Performing the Functions consistant with that of an Agency and not that of an Entity

Jurisdiction within which the Municipality operates

The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province within the Mopani District Municipality Area of Jurisdiction. It comprises a land area of approximately 3240 km^2, and extends from Haenertsburg in the west, to Rubbervale in the east (85km), and just south of Modjadjiskloof in the north, to Trichardtsdal in the south(47km).

Physical Address	Greater Tzaneen Municipality Agatha Street Civic Centre Tzaneen 0850
Postal Address	Greater Tzaneen Municipality PO Box 24 Tzaneen 0850
Telephone Number	015 307 8000
Fax Number	015 307 8049
E-Mail Address	masiye.mankabidi@tzaneen.gov.za
Acting Municipal Manager	Masiye Elias Mankabidi: 1 July 2012- 31 August 2012
Chief Financial Officer	Norah Mokgadi Lion: From 1 August 2012
Grading of Greater Tzannen Municipality	Grade 4 : High Capacity

GREATER TZANEEN MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 June 2012

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 67 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 25 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

I have complied with the disclosure requirements in terms of section 122 to 126 of the Municipal Finance Management Act.

M E Mankabidi
Acting Municipal Manager

Date: 31 August 2012

STATEMENT OF FINANCIAL POSITION

	NOTE	2012 R	2011 R
COMMUNITY WEALTH AND LIABILITIES			
Accumulated Surplus /(Deficit)		1 627 889 833	1 794 955 625
LIABILITIES		386 642 251	294 670 122
Non-Current liabilities		199 030 206	160 515 692
Borrowings	1	142 330 562	111 772 556
Non- current Provisions	4	52 764 306	45 229 289
Financial lease liability	2	3 935 338	3 513 847
Current liabilities		187 612 045	134 154 430
Finance lease liability	2	2 753 768	1 696 566
Consumer deposits	3	18 554 112	11 574 824
Provisions	5	2 139 391	1 982 059
Accounts Payable	6	88 933 087	79 307 759
VAT Payable	7	25 738 089	19 236 926
Unspent Conditional Grants and Receipts	8	39 919 997	15 909 094
Current portion of long-term borrowings	1	9 573 601	4 447 202
Total Liabilities		2 014 532 084	2 089 625 747
ASSETS			
Non-current assets		1 793 778 620	1 890 410 765
Intangible Assets	9	49 645	81 545
Investment properties	10	208 608 792	305 491 622
Property, plant and equipment	11	1 561 443 008	1 564 154 969
Held-to-maturity Investments	12	23 677 175	20 682 629
Non-current receivables	13	0	0
Current assets		220 753 464	199 214 982
Inventory	14	10 977 924	10 729 924
Receivables	15	54 562 911	46 593 962
Other receivables	17	104 587 505	116 587 927
Operating lease assets	18	176 954	204 632
Cash and cash equivalents	19	50 277 604	22 198 274
Current portion of long-term receivables	13	170 566	2 900 263
Total Assets		2 014 532 084	2 089 625 747
		0	0

STATEMENT OF FINANCIAL PERFORMANCE

	NOTE	ACTUAL 2012	2011
REVENUE		R	R
Property rates	20	55 727 950	44 684 769
Property rates - penalties imposed and collection charges		3 106 571	3 254 284
Service charges	21	329 306 461	266 937 445
Rental of facilities and equipment		393 210	578 984
Interest earned - external investments		5 159 947	2 307 906
Interest earned - outstanding receivables		13 943 143	14 062 262
Fines		7 009 597	3 110 380
Licences and permits		498 951	413 695
Income for agency services		20 929 065	8 878 626
Government grants and subsidies	22	208 297 060	193 660 678
Other income	23	7 166 071	5 369 070
Public contributions, donated and contributed property, plant & equipment			
		651 538 026	543 258 099
EXPENDITURE			
Employee related costs	24	97 737 149	91 435 963
Remuneration of Councillors	25	16 655 144	15 227 957
Bad debts		12 496 142	21 565 129
Collection costs		667 961	599 575
Loss on inventory		38 856	162 676
Depreciation		99 936 375	99 195 407
Repairs and maintenance	26	90 714 319	100 981 820
Finance cost	27	12 766 508	7 783 516
Impairment of assets		96 882 830	0
Bulk purchases	28	204 802 906	176 451 428
Contracted services	29	28 892 588	26 644 676
Grants and subsidies paid	30	24 560 971	29 898 457
General expenses	31	54 099 844	40 015 485
Total Expenditure		740 173 881	609 962 089
Gain/(loss) on sale of assets	33	3 503	
NET SURPLUS / (DEFICIT) FOR THE YEAR		-88 639 358	-66 703 990

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated Surplus/ (Deficit)
	R
2011	
Balance at 30 June 2010	1 370 854 264
Changes in accounting policy	
Correction of prior period error 2010	430 023 266
Restated balance	1 800 877 530
Surplus/(Deficit) on revaluation of PPE	
Depreciation on take-on assets	
Other items	205 475
Transfers to / from accumulated surplus/(deficit)	60 576 610
Surplus/(deficit) for the period	-66 703 990
Balance at 30June	1 794 955 625
Surplus/(deficit) on revaluation of PPE	
Appropriations	
Transfers to / from accumulated surplus/(deficit)	
Surplus/(deficit) for the period	
Balance at 30 JUNE 2011	1 794 955 625

	Accumulated Surplus/ (Deficit)
2012	R
Balance at 30 June 2011	1 794 955 625
Changes in accounting policy	
Correction of prior period error 2010	
Restated balance	1 794 955 625
Surplus/(Deficit) on revaluation of PPE	
Depreciation on take-on assets	
Transfers to / from accumulated surplus/(deficit)	
Surplus/(deficit) for the period	-88 639 358
Balance at 30June	1 706 316 267
Surplus/(deficit) on revaluation ofPPE	
Appropriations	-35 005 373
Transfers to / from accumulated surplus/(deficit)	-43 421 061
Surplus/(deficit) for the period	
Balance at 30 JUNE 2012	1 627 889 833

CASH FLOW STATEMENT

	NOTE	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		620 510 257	524 206 053
Cash paid to suppliers and employees		-598 995 848	-514 388 160
Cash generated from operations	34	21 514 409	9 817 893
Interest received		19 103 090	16 370 168
Interest paid		-12 766 508	-7 783 516
NET CASH FROM OPERTING ACTIVITIES		**27 850 991**	**18 404 545**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-39 440 807	-62 378 191
Proceeds on disposal of property plant & equipment			0
Increase/(Decrease) in non-current receivables			0
Increase/(Decrease) in non current investments		-2 994 546	-2 755 094
NET CASH FROM INVESTING ACTIVITIES		**-42 435 353**	**-65 133 285**
CASH FLOWS FROM FINANCING ACIVITIES			
New loans raised / (repaid)		35 684 404	68 170 170
Increase in consumer deposits		6 979 288	4 916 268
NET CASH FROM FINANCING ACTIVITIES		**42 663 692**	**73 086 438**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**28 079 330**	**26 367 698**
Cash and cash equivalents at the beginning of the year		22 198 274	-4 159 424
Cash and cash equivalents at the end of the year	19	50 277 604	22 198 274

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with those of the previous financial year.

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The Annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003)

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy. Accounting policies are consistent with the previous periods

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as inflation interest and economic conditions.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note - Provisions.

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

ACCOUNTING POLICIES

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note .

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 PRESENTATION CURRENCY

These annual financial statement are presented in South African rand, which is the functional currency of the municipality.

1.4 GOING CONCERN ASSUMPTION

The annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. (Refer to note 46 for managements assessment of going concern).

1.5 COMPARITIVE INFORMATION

1.5.1 Current Year Comparatives

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.5.2 Prior Year Comparatives

When the presentation or classification of items in the annual financial statements are amended, prior period comparative amounts are reclassified.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipement is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary cost of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the asset on the date acquired.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded or the further development of an asset so that its original life is extended are examples of subsequent expenditure which should be capitalised.

2.2 Property, plant and equipment

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

ACCOUNTING POLICIES

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated useful lives.

A more appropriate useful life can also be motivated by the department purchasing the asset, and the useful life is approved by the Financial Manager

INFRASTRUCTURE	YEARS
Roads and Paving	30
Pedestrian Malls	30
Electricity	20 - 30
Water	15 - 20
Sewerage	15 - 20
Housing	30
COMMUNITY	
Improvements	30
Recreational Facilities	20 - 30
Security	5
OTHER	
Buildings	30
Specialist Vehicles	10
Other Vehicles	5
Office Equipment	3 - 7
Furniture and fittings	7 - 10
Watercraft	15
Bins and containers	5
Specialised plant an equipment	10 - 15
Other items of plant and equipment	2 - 5

Heritage assets, which are defined as culturally significant resources, are not depreciated as they are regarded as having an indefinite life. Land is also not depreciated for the same reason.

Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

2.4 Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 Intangible Assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

ACCOUNTING POLICIES

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Expenditure, which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

Research and development expenditure is written off as incurred. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item Useful life

Computer software 2 - 8 years

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value
Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

ACCOUNTING POLICIES

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

4 FINANCIAL INSTRUMENTS

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

cash;

a residual interest of another entity; or

a contractual right to:

- receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

deliver cash or another financial asset to another entity; or

exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

ACCOUNTING POLICIES

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:

•-it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or

•on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;

•non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and

-financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables from non exchange transactions	Financial asset measured at amortised cost
Consumer Debtors	Financial asset measured at amortised cost
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Non current Investment (shares)	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Borrowings	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at fair value

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non exchange revenue, in accordance with the Standard of GRAP on Revenue from Non exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

ACCOUNTING POLICIES

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

combined instrument that is required to be measured at fair value; or

an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

ACCOUNTING POLICIES

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

5 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

6 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003, the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

7 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

9 LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayments using effective interest rate method. Lease finance costs are expensed when incurred .The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset as depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Property, plant and equipment subject to finance lease agreements are capitalised at their cash equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life.

ACCOUNTING POLICIES

10 REVENUE RECOGNITION

10.1 Revenue from exchange transactions

Revenue from exchange transaction refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

10.1.1 Revenue arising from application of the approved tariff of changes in recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

10.1.2 Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and revenue is recognized when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognized as revenue in the invoicing period.

10.1.3 Service charges relating to solid waste, sanitation and sewerage are levied monthly in terms of the approved tariffs.

10.1.4 Interest earned on investments is recognised in the statement of financial performance on a time proportionate basis that takes into account the effective yield on the investment.

10.1.5 Dividends are recognized when the municipality's right to receive payment is established.

10.1.6 Revenue from the sale of goods is recognized when all the following condition has been satisfied:

The municipality has transferred to the buyer the significant risk and rewards of ownership of the goods.

The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

The amount of revenue can be measured reliably.

It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.

10.2 Revenue from non-exhange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non exchange transactions are transactions that are not exchange transactions. In a non exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non exchange transactions, other than taxes.

Recognition

An inflow of resources from a non exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

When, as a result of a non exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

ACCOUNTING POLICIES

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

11 INVENTORIES

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in , first out method, and net realisable value. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Redundant and slow moving inventories are identified and written down with regard to their cost. Consumables are written down according to their age, condition and utility.

Stands available for sale during the next 12 months are recognised as inventory.

12 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with all of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. The liability is transferred to revenue as and when the conditions attached to the grants are met. Grants without any conditions attached are recognised as revenue when the asset s recognised.

13 SEGMENTAL INFORMATION

Segmental information on Property, Plant and Equipment as well as income and expenditure is set out in Appendix C and D based on the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

14 VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payment basis.

15 EMPLOYEES BENEFITS

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long term employee benefits are employee benefits (other than post employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

ACCOUNTING POLICIES

Composite social security programmes are established by legislation and operate as multi employer plans to provide post employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short term employee benefits include items such as:

- wages, salaries and social security contributions;
- short term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.
The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post employment benefits

Post employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post employment benefit plans are formal or informal arrangements under which a municipality provides post employment benefits for one or more employees.

Post employment benefits: Defined contribution plans

Defined contribution plans are post employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post employment benefits: Defined benefit plans

Defined benefit plans are post employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long term employee benefit fund are assets (other than non transferable financial instruments issued by the reporting municipality) that are held by a municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

ACCOUNTING POLICIES

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post employment benefits or other long term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

the present value of the defined benefit obligation at the reporting date;
minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

the amount determined above; and
the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

current service cost;
interest cost;
the expected return on any plan assets and on any reimbursement rights;
actuarial gains and losses;
past service cost;
the effect of any curtailments or settlements; and
the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight line basis from:

the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

any resulting change in the present value of the defined benefit obligation; and
any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

ACCOUNTING POLICIES

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post employment benefit obligations.

Post employment benefit obligations are measured on a basis that reflects:

estimated future salary increases;

the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and

estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:

those changes were enacted before the reporting date; or

past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

16. CONTINGENCIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 42.

17 IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

the period of time over which an asset is expected to be used by the municipality; or
the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

ACCOUNTING POLICIES

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

ACCOUNTING POLICIES

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

the period of time over which an asset is expected to be used by the municipality; or

the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

ACCOUNTING POLICIES

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

NEW STANDARDS AND INTERPRETATIONS

Standards and Interpretations Issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.
Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.
It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.
An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.
This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and financial statements on a comparable basis, it includes the comparison as an additional column in the primary financial statements. Where the budget and financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 financial statements.

NEW STANDARDS AND INTERPRETATIONS

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.
Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.
In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.
The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.
GRAP 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.
If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.
GRAP 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.
In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.
For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.
The municipality expects to adopt the standard for the first time in the 2013 financial statements.
It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.
An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.
The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach

NEW STANDARDS AND INTERPRETATIONS

Restoration cost approach

Service units approach

asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and

NEW STANDARDS AND INTERPRETATIONS

an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior

Defined benefit plans as post-employment benefit plans other than defined contribution plans;
Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:

-pool the assets contributed by various entities that are not under common control; and

-use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;

Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
Termination benefits as employee benefits payable as a result of either:
-an entity's decision to terminate an employee's employment before the normal retirement date; or
-an employee's decision to accept voluntary redundancy in exchange for those benefits;

Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

Short-term employee benefits;
-All short-term employee benefits;
-Short-term compensated absences;
-Bonus, incentive and performance related payments;
Post-employment benefits: Defined contribution plans;
Other long-term employee benefits;
Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

Multi-employer plans;
Defined benefit plans where the participating entities are under common control;
State plans;
Composite social security programmes;
Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

Recognition and measurement;
Presentation;
Disclosure;
Accounting for the constructive obligation;
Statement of financial position;
Asset recognition ceiling;
Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
Statement of financial performance.

The standard prescribes recognition and measurement for:

Present value of defined benefit obligations and current service cost:
-Actuarial valuation method;
-Attributing benefits to periods of service;
-Actuarial assumptions;
-Actuarial assumptions: Discount rate;

NEW STANDARDS AND INTERPRETATIONS

-Actuarial assumptions: Salaries, benefits and medical costs;
-Actuarial gains and losses;
-Past service cost.
Plan assets:

-Fair value of plan assets;
-Reimbursements;
-Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.
The impact of this standard is currently being assessed.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.
In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.
Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.
Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.
The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.
Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

a derivative;
a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
held-for-trading;
a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
an investment in a residual interest for which fair value can be measured reliably; and
other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

NEW STANDARDS AND INTERPRETATIONS

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.
An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.
GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.
GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 financial statements.
The impact of this amendment is currently being assessed.

IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation of the Standards of GRAP applies to all post-employment defined benefits and other long-term employee defined benefits.

For the purpose of this Interpretation of the Standards of GRAP, minimum funding requirements are any requirements to fund a post-employment or other long-term defined benefit plan.
The issues addressed in this Interpretation of the Standards of GRAP are:

- When refunds or reductions in future contributions should be regarded as available in accordance with paragraph .68 of the Standard of GRAP on Employee Benefits.
- How a minimum funding requirement might affect the availability of reductions in future contributions

The interpretation of the Standards of GRAP addresses accounting by the entity that grants award credits to its customers.

The effective date of the interpretation is for years beginning on or after 01 April 2013.
The municipality expects to adopt the interpretation for the first time in the 2014 financial statements.

The municipality is unable to reliably estimate the impact of the amendment on the financial statements.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.
It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 106: Transfers of functions between entities not under common control

NEW STANDARDS AND INTERPRETATIONS

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

identifying related party relationships and transactions;
identifying outstanding balances, including commitments, between an entity and its related parties;
identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

A person or a close member of that person's family is related to the reporting entity if that person:
-has control or joint control over the reporting entity;
-has significant influence over the reporting entity;
-is a member of the management of the entity or its controlling entity.

An entity is related to the reporting entity if any of the following conditions apply:
-the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
-one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
-both entities are joint ventures of the same third party;
-one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
-the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
-the entity is controlled or jointly controlled by a person identified in (a); and

NEW STANDARDS AND INTERPRETATIONS

-a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

Close member of the family of a person;
Management;
Related parties;
Remuneration; and
Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

Control;

Related party transactions; and
Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

Notes to be added

Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the withdrawal of the following new or revised standards as per Directive 5 as issued by the Accounting Standard Board and for the adoption of the following new or revised standards.

IAS 32 Financial Instruments: Presentation withdrawn.
IAS 39 Financial Instruments: Recognition and Measurement withdrawn.
IFRS 7 Financial Instruments: Disclosures withdrawn.
IAS 19 Employee Benefits withdrawn.
Formulated a policy within Accounting Policies of the AFS for Financial Instruments based on GRAP 104.
Formulated a policy within Accounting Policies of the AFS for Impairments based on GRAP 21 and GRAP 26.
Formulated a policy within Accounting Policies of the AFS for Employee Benefits based on GRAP 25.
Formulated a policy within Accounting Policies of the AFS for Non exchange Transactions based on GRAP 23.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1 BORROWINGS	2012	2011
Held at amortised cost		
Annuity Loan Standard bank	21 011 252	0
Annuity Loan Standard bank	13 281 875	0
Annuity Loan DBSA	40 373 580	35 010 350
Annuity Loans ABSA	32 527 144	34 780 000
Annuity Loan INCA	18 110 312	19 829 408
Sinking Fund ABSA	11 600 000	11 600 000
DBSA Local Registered Stock Loan	15 000 000	15 000 000
Sub-total	151 904 163	116 219 758
Less : Current portion transferred to current liabilities	9 573 601	4 447 202
Annuity Loan Standard bank	2 019 656	0
Annuity Loan Standard bank	2 121 918	0
Annuity Loans ABSA	2 498 154	2 187 262
Annuity Loan INCA	1 947 206	1 719 096
Annuity Loan DBSA	986 667	540 844
Total External Loans	142 330 562	111 772 556

Refer to Appendix A for more detail on long-term liabilities

Annuity Loan Standard bank

This loan has been split into two allocations of R21,011 million and R13,281 million and was taken up on 30 June 2012. These loans bear interest at rates of 11,8% and 10,98% respectively and will be fully redeemed on 30 June 2019 and 30 June 2017 respectively.

Annuity Loan DBSA

a loan of R 41 million of which R 35 010 350 has been allocated during the 2010 2011 financial year was taken up to finance capital projects.This loan bears interest at a rate of 6,75% per annum and will be fully redeemed on 31 October 2030

Annuity Loans ABSA

This loan has been split into two allocations of R25,140 million and R9,640 million and was taken up on 15 August 2010. These loans bear interest at rates of 10,62% and 8,75% respectively and will be fully redeemed on 31 July 2025 and 31july 2015 respectively.

Annuity Loans INCA

Bear interest at a rate of 12,5%% per annum and will be fully redeemed on 31 December 2018.

This loan has been taken up to finance the purchase of land.

Sinking Fund : ABSA

An investment of R6 982 292 has been made with BOE to repay a loan of R20 000 000 on maturity date. The loan bears interest on a variable rate and the value of the investment amounts to R19 890 829.The BOE investment has been ceded to ABSA

Excelsior 1000 Investment

An investment of R855 619 has been made with Liberty to repay a loan of R15 million on maturity date.The loan bears interest on variable rate and the value of the investment amounts to R3 786 347.

None of the loans are secured by any fixed or movable asset of the Greater Tzaneen Municipality.

The Municipality did not default on any of the borrowings in respect of Capital or interest portions

No terms attached to the borrowings were re-negotiated.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2 FINANCE LEASE LIABILITY

30 June 2012	Minimum lease payment R	Future finance charges R	Present value of minimum lease payment R
Within one year	3 238 489		2 753 768
Within two to five years	4 321 914		3 935 338
	7 560 403	871 296	6 689 106
Current Liabilities			2 753 768
Non-Current Liabilities			3 935 338
			6 689 106

The lease terms are between 3 years and 5 years. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and ohers escalate. No arrangement has been entered into for contigent rent. Obligations under finance leases are secured by the lessor's title to the leased assets

The Municipality did not default on any of the Interest or capital repayments of the finance leases.

No terms and conditions of the finance leases were re-negotiated.

30 June 2011	Minimum lease payment R	Future finance charges R	Present value of minimum lease payment R
Within one year	2 121 024		1 696 566
Within two to five years	3 990 363		3 513 847
	6 111 387	900 973	5 210 413
Current Liabilities			1 696 566
Non-Current Liabilities			3 513 847
			5 210 413

The lease terms are between 3 years and 5 years. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and ohers escalate. No arrangement has been entered into for contigent rent. Obligations under finance leases are secured by the lessor's title to the leased assets

The Municipality did not default on any
of the Interest or Capital repayments of

No terms and conditions of the finance leases were re-negotiated.

3 CONSUMER DEPOSITS

	2012 R	2011 R
Electricity	18 554 112	11 574 824
Total Consumer Deposits	18 554 112	11 574 824
Guarantees held in lieu of Electricity Deposits	3 024 630	2 892 630

4 NON-CURRENT PROVISIONS

	2012	2011
Non-current provision	52 764 306	45 229 289
Provision for rehabilitation of landfill site	2 611 550	2 374 136
Balance at beginning of the year	2 374 136	2 158 305
Contributions to provision	237 414	215 831
Balance at end of the year	2 611 550	2 374 136

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation,discounted at 10% over an average period of 20 years. The due date of this provision is June 2027.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Provision for long service awards	5 588 929	4 720 463
Current -service cost	624 374	647 144
Interest cost	344 019	349 855
Actuarial (gain)/loss recognised in P&L	407 090	234 627
Net periodic cost recognised in P&L	1 375 483	1 231 626
Expected employer benefit vestings	-507 017	-810 384
Transitional liability recognised outside P&L	4 720 463	4 299 221
Closing Balance	5 588 929	4 720 463

Long service awards relates to the legal obligation to provide for long service leave awards. An actuarial valuation has been performed on all 684 employees that are entitled to long service leave awards on 30 June 2012. The long service leave awards liability is not a funded arrangement ,i.e no separate assets have been set aside to meet this liability.

Provision for post - employment health care benefits	44 563 827	38 134 690
Current -service cost	2 311 976	1 693 663
Interest cost	3 257 879	2 411 292
Actuarial (gain)/loss recognised in P&L	1 855 602	8 310 134
Net periodic cost recognised in P&L	7 625 456	12 415 089
Expected employer benefit payments	-1 098 319	-846 318
Transitional liability recognised outside P&L	38 134 690	26 565 919
Closing Balance	44 563 827	38 134 690

The post-employment health care benefits valuation considers all employees,retired employees and their dependants who participate in the health care arrangements and are entitled to a post-employment medical scheme subsidy.The post-employment health care liability is not a funded arragement, i.e no separate assets have been set aside to meet this liability. The effective date of the valuation is 30 June 2012.

Summary of the eligible in -service membership. (Post-employment health care benefits).

	Female	Male	Total
Number of principal members	118	150	268
Number of Eligible Non-Members	97	181	278
Average age	39.4	45.4	43.0
Average past service	6.7	10.7	9.1
Average no. of dependants	1.6	1.8	1.7

Summary of continuation membership. (Post-employment health care benefit)

	Female	male	Total
Number of principal members	16.0	23.0	39.0
Average age of members	71.0	70.4	70.6
Average no. of dependants	0.1	0.7	0.4
Average employer contribution	R 2 122	R 3 120	R 2 711

In-service members will receive a post-employment subsidy of 60% of the contribution payable. Continuation members receive either a 60% subsidy or a 70% subsidy. Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same percentage subsidy

Summary of the key financial assumptions. (Post-employment health care benefit)

Assumption	Value p.a
Discount rate	8.03%
Health care cost inflation rate	6.99%
Net effective discount rate	0.97%

	2012	2011
5 CURRENT PROVISIONS	R	R
Performance bonus	2 139 391	1 982 059
	2 139 391	1 982 059

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Performance bonuses accrue to Section 57 Managers and Managers on annual basis subject to certain conditions. The provision is an estimate of the amount due at the reporting date to staff.

Performance bonusses are paid one year in arrears as the assessment of eligible employees had not taken place at the end of the reporting period.

Performance bonusses are measured at face value as it is expected that these would be paid shortly after the financial year end once performance evaluations have been completed.

	Performance Bonus	Performance Bonus
Balance at beginning of year	1 982 059	1 845 782
Performance bonuses paid	-199 843	-39 062
Contributions to provision	357 175	175 339
Balance at the end of year	2 139 391	1 982 059

6 ACCOUNTS PAYABLE

Trade creditors	53 505 256	53 849 097
Payments received in advance	6 248 343	4 850 007
13th Cheque	4 060 408	3 022 961
Staff leave	5 817 207	4 864 468
Retention	8 159 957	8 922 094
Unknown direct deposits	10 372 910	3 228 586
Other creditors	769 006	570 546
Total Creditors	88 933 087	79 307 759

The Municipality did not default on any of the accounts payable in respect of capital or interest portions.

No terms attached to the accounts payable were re-negotiated.

7 VAT

Net VAT payables	25 738 089	19 236 926

VAT is payable on the payments basis. Only once payment is received from debtors and payments made to suppliers, is VAT paid over to SARS.

8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other spheres of Government	39 919 997	15 909 094
Grants RSC & Other	39 919 997	15 909 094
Total Conditional Grants and Receipts	39 919 997	15 909 094

These amounts are invested in a ring-fenced short-term deposits until utilised.

Refer to note 22 for a detailed breakdown of all unspent conditional grants.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note 9

Intangible Assets

	2 012			2 011		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	99 467	49 822	49 645	81 545	0	81 545

Reconciliation of Intangible Assets – 2012

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software	98 184	1 283	0	0	49 822	49 644

Reconciliation of Intangible Assets – 2011

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software	0	98 184	0	0	16 639	81 545

Note 10
Investment property

	2 012			2 011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	208 608 792	0	208 608 792	305 491 622	0	305 491 622

Reconciliation of investment property – 2012

	Opening balance	Unbundling of land	Disposals	Transfers	Depreciation	Total
Investment property	305 491 622	0	-96 882 830	0	0	208 608 792

Reconciliation of investment property – 2011

	Opening balance	Unbundling of land	Disposals-	Transfers	Depreciation	Total
Investment property	158 016 830	147 474 792	0	0	0	305 491 622

	2 012	2 011
Fair value of investment properties	208 608 792	305 491 622

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation
The GTM valuation is based on the valuation roll and is reviewed every four years.

Note 11

PROPERTY, PLANT AND EQUIPMENT

	COST							ACCUMULATED DEPRECIATION						BUDGET
	OPENING BALANCE	ADDITIONS	ADDITIONS UNDER CONSTRUCTION 2011	BALANCE UNDER CONSTRUCTION 2011	DISPOSALS	TRANSFERED OUT	CLOSING BALANCE	OPENING BALANCE	ADDITIONS	DISPOSALS	TRANSFERED OUT	CLOSING BALANCE	CARRYING VALUE	ADDITIONS 2011
2012														
Infrastructure	1 652 329 473	13 609 015		0		0	1 665 938 488	358 586 755	88 828 118			447 414 873	1 218 523 615	
Community Assets	80 930 173			0			80 930 173	10 157 054	2 591 977			12 749 030	68 181 143	
Land	142 015 771			0		0	142 015 771	0				0	142 015 771	
Other Assets	31 638 228	27 342 957			22 190	0	58 958 995	12 883 219	4 505 529	18 687		17 370 061	41 588 934	
Finance Lease Assets	18 555 686	4 213 992		0	8 354 249	0	14 415 429	11 643 914	4 087 191	8 354 249		7 376 856	7 038 573	0
Total carried forward	1 925 469 331	44 928 551	0	0	8 376 439	0	1 962 021 443	393 270 942	100 012 814	8 372 936	0	484 910 820	1 477 348 038	0
Work n progress	31 639 240	65 906 337				13 447 429	84 098 148						84 098 148	
Total carried forward	1 957 108 571	44 928 551	0	0	8 376 439	0	1 993 660 683	393 270 942	100 012 814	8 372 936	0	484 910 820	1 561 446 185	0

	COST							ACCUMULATED DEPRECIATION						BUDGET
	OPENING BALANCE	ADDITIONS	ADDITIONS UNDER CONSTRUCTION 2010	BALANCE UNDER CONSTRUCTION 2010	DISPOSALS	TRANSFERED OUT	CLOSING BALANCE	OPENING BALANCE	ADDITIONS	DISPOSALS	TRANSFERED OUT	CLOSING BALANCE	CARRYING VALUE	ADDITIONS 2011
2011														
Infrastructure	1 596 187 472	59 123 236	0	0	2 981 235	0	1 652 329 473	269 142 948	89 543 658	99 851		358 586 755	1 293 742 718	119 487 000
Community Assets	79 953 173	977 000	0	0			80 930 173	7 572 086	2 584 968			10 157 054	70 773 119	0
Land	142 015 771		0	0	0	0	142 015 771	0				0	142 015 771	0
Other Assets	30 536 128	1 793 171		0	691 071		31 638 228	9 437 344	3 545 124	99 249		12 883 219	18 755 009	1 176 000
Finance Lease Assets	13 301 400	5 337 486	0	0	83 200	0	18 555 686	7 854 427	3 789 487	0	0	11 643 914	6 911 772	
Total carried forward	1 861 993 044	67 230 893	0	0	3 755 506		1 925 469 331	294 006 805	99 463 236	199 100		393 270 942	1 532 198 389	120 663 000

Also refer to Appendix B for additional analysis of property plant and equipment.

Infrastructure Assets

During the current financial year the municipality implemented a process to identify, record, value and manage certain electricity and road infrastructure assets as required
In terms of GRAP 17 that were previously not componentised. This resulted in a reconstructed fixed asset register for electricity and road infrastructure assets. The key issues in this regard were as follows:

Physical verification and valuation
- All the infrastructure assets have been physically verified during the year by specialists. During this process the asset location, condition and maintenance history was recorded and evaluated.
- Due to the specialised nature of the assets, and market availability of information, the Depreciated Replacement Cost method was used.

Retrospective application of the effects of implementation of GRAP 17
- The implementation of GRAP 17 is a change in accounting policy. In terms of GRAP 3 changes in accounting policies should be applied retrospectively.

retrospective application corrections were done as follows:

Disclosure of the asset information

The deemed cost was determined by using the depreciated replacement values (DRC).
In order to apply the retrospective application as required for the infrastructure assets ,the DRC values were adjusted to reflect as at 30 July 2007.
The opening cost for the take on values of the assets as well as for accumulated depreciation is restated. This adjustment is made directly to accumulated surplus.
- Depreciation for the year has been based on the new asset values and is calculated on the straight line method.

Movable Assets

During the current financial year the municipality implemented a process to identify, record and value movable assets as required in terms of GRAP 17. This resulted in a take on of additional assets not previously recorded for movable assets. The key issues in this regard were as follows:

Physical verification and valuation
- All the movable assets have been physically verified during the year. During this process the asset location, condition, description and custodian was recorded and evaluated.
- A 100% verification and condition assessment was done.

Retrospective application of the effects of GRAP 17
- In terms of GRAP 3 changes in accounting policies should be applied retrospectively. The methodology followed for the retrospective application corrections was done as follows:

Disclosure of the asset information
- Actual values were used where supporting information was available. For the remaining assets the DRC methodology was followed to determine the deemed cost of these assets.
The opening for the take on values of the assets as well as for accumulated depreciation is restated. This adjustment is made directly to accumulated surplus.
- Depreciation for the year has been based on the new asset values and is calculated on the straight line method.

Reclassification of Assets

During the current financial year the municipality implemented a process to verify, record and measure assets as required in terms of GRAP 17. This resulted in a reclassification of certain infrastructure, community and other assets previously incorrectly classified.

Retrospective application of the effects of GRAP 17
- In terms of GRAP 3 changes in accounting policies should be applied retrospectively.

Change of Comparative figures

During the current financial year the municipality capitalised certain infrastructure assets in the prior that have not been recorded in the prior year resulting in a restatement of the prior year

Refer to note XX on prior period error note for detail of corrections made

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

12 INVESTMENTS

	2012 R	2011 R
Unlisted		
Held-to-maturity investments		
Fixed Deposits	23 677 175	20 682 629
Total Cash Investments	23 677 175	20 682 629
Councils' valuation of unlisted investments		
Liberty	3 786 347	2 777 098
BOE (Sinking Fund)	19 890 828	17 905 631
	23 677 175	20 682 629

Investments have been made for the redemption of long - term loan liabilities. Refer to note 1 for more detail on long - term loans.

Fair value of investments are at quoted book value as at 30 June 2012.

No non-current investment defaulted and no terms of any of the non-current investments were re-negotiated.

13 LONG-TERM RECEIVABLES

	2012	2011
Other Loans	919 935	4 313 190
Electrical Connection	0	469
Stand Loans	170 566	1 933 589
Other Debtors (El Gondor)	0	986 205
Debtor Arrangements	749 369	1 412 927
LESS: Current portion transferred to current receivables	170 566	2 900 263
Other Loans	170 566	2 900 263
Electrical Connection	0	469
Stand Loans	170 566	2 899 794
Debtor Arrangements	0	
Less :Provision for bad debt	749 369	1 412 927
Total	0	0
Reconciliation of provision for bad debt		
Balance at beginning of year	1 412 928	2 378 803
Contributions to provision	-574 760	-985 875
Bad debts written off	-88 809	0
Balance at end of year	749 369	1 412 928

No security is held for any of the long-term receivables.

No long-term receivables defaulted and no terms of any of the long-term receivables were re-negotiated.

No portion of the long-term receivables was pledged as security for any financial liabilities.

No portion is past due or impaired.

LOANS TO STAFF AND THE PUBLIC

To comply with the requirements of the MFMA no loan has been made after 1 March 2004.

OTHER LOANS

Electricity Connection

To encourage tenants to connect to the electricity service, a subsidy of 50% per connection were granted to finance the cost to consumers ,with interest rates between 20% and 21%. These loans are repayable over a maximum period of five years and were granted before the implementation of the MFMA.

Stand Loans

Loans were made to enable people to purchase stands from Council. These

Debtor Arrangements

Short -term debt repayment arrangements are engaged in to enable debtors to pay outstanding consumer accounts.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

14 INVENTORY

	2012	2011
	R	R
Consumable stores	9 254 924	9 006 924
Stands	1 723 000	1 723 000
	10 977 924	10 729 924
Inventory (Write downs)		0
Total Inventory	10 977 924	10 729 924

Carrying value of stock is disclosed at cost.

Inventory Pledged as Security

No inventory was pledge as security.

15 RECEIVABLES

As at 30 June 2012	Gross Balance	Provision for Bad Debts	Net Balance
	R	R	R
Service debtors			
Rates	55 936 635	46 705 300	9 231 335
Electricity	55 841 956	14 689 898	41 152 090
Refuse	26 388 294	22 208 778	4 179 516
Total	138 166 885	83 603 974	54 562 911

As at 30 June 2011	Gross Balance	Provision for Bad Debts	Net Balance
	R	R	R
Service debtors			
Rates	49 226 699	39 210 866	10 015 833
Electricity	47 164 627	15 012 363	32 152 264
Refuse	30 523 189	26 097 324	4 425 865
Total	126 914 515	80 320 553	46 593 962

	2012	2011
	R	R
Rates: Ageing		
Current (0 - 30 days)	4 833 610	3 989 146
31 - 60 Days	2 389 666	2 130 833
61 - 90 Days	2 502 182	2 210 989
91 - 120 Days	1 671 254	1 684 866
121Days and longer	44 539 923	39 210 865
Total	55 936 635	49 226 699
Electricity: Ageing		
(Current 0 - 30 Days)	26 476 212	23 096 833
31 - 60 Days	8 365 940	5 670 314
61 - 90 Days	4 168 602	2 110 440
91 - 120 Days	2 151 304	1 274 675
121Days and longer	14 689 897	15 012 364
Total	55 841 955	47 164 626
Refuse removal: Ageing		
(Current 0 - 30 Days)	2 194 226	1 912 869
31 - 60 Days	1 101 314	958 226
61 - 90 Days	909 482	808 269
91 - 120 Days	830 542	746 501
121Days and longer	21 352 732	26 097 324
Total	26 388 295	30 523 189

Summary of Debtors by Customer Classification including other debtors

	2012	2011
Residential Property: Aging		
Current (0 - 30 days)	13 287 486	9 608 715
31 - 60 Days	6 239 757	4 467 881
61 - 90 Days	2 587 719	2 298 565
91 - 120 Days	2 186 877	2 061 983
121Days and longer	52 432 174	59 595 475
Total	76 733 013	78 032 619

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Industrial/commercial: Aging		
(Current 0 - 30 Days)	19 948 753	19 239 509
31 - 60 Days	6 719 346	4 885 694
61 - 90 Days	3 936 980	1 586 246
91 - 120 Days	1 878 100	1 190 173
121Days and longer	22 616 398	25 938 186
Total	55 099 577	52 839 808

National and Provincial: Aging		
(Current 0 - 30 Days)	685 360	1 015 848
31 - 60 Days	583 041	398 126
61 - 90 Days	349 147	358 126
91 - 120 Days	286 903	323 162
121Days and longer	7 194 944	8 108 249
Total	9 099 395	10 203 511

Other: Aging		
(Current 0 - 30 Days)	1 454 830	2 137 394
31 - 60 Days	1 012 804	497 000
61 - 90 Days	629 752	610 849
91 - 120 Days	441 689	295 875
121Days and longer	7 047 177	8 710 571
Indigent charge & Development cost	10 686 262	12 252 289
Total		

Consumer Debtors Pledged as Security

No portion of accounts receivable was pledged as security for any financial liabilities.

Credit Quality of Consumer Debtors

The credit quality of Consumer Debtors that are neither past nor due impaired can be assessed by reference to historical information about counter party default rates. Although credit quality can be assessed the Municipality did not apply any methods to evaluate the credit quality.

Consumers Debtors

No security is held for any of the accounts receivable.

Consumer Debtors Impaired

As at 30 June 2012, Consumer Debtors of R 83 603 974 (2011: R80 320 553) were impaired and provided for.

Amounts totalling R 4 178 342 (2011 R1 882 768) were written off as uncollectable against the debt impairment allowance account.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period without taking account if any collateral held or other credit enhancements.

No portion is past due or impaired.

16 RECONCILIATION OF DOUBTFUL DEBT PROVISION

Balance at beginning of the year	80 320 553	58 083 827
Contributions to provision	7 461 763	24 119 494
Doubtful debts written off against provision	-4 178 342	-1 882 768
Balance at end of year	83 603 874	80 320 553

The fair value of trade and other receivables approximates their caring amounts.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

17 OTHER RECEIVABLES

	2012 R	2011 R
Other debtors	112 546 276	130 562 348
Payments made in advance	6 248 343	4 850 007
Bursary Loans	0	64 318
Deposit Petrol	9 808	9 808
Year end debtors	94 431 407	38 021 019
Other	11 856 718	87 617 196
Less : Provision for bad debt	7 958 771	13 974 421
Total Other Debtors	104 587 505	116 587 927

	2012 R	2011 R
Reconciliation of provision for bad debt		
Balance at beginning of year	13 974 421	16 164 082
Contributions/ (Reversal) to provision	6 578 290	-1 995 328
Bad debts written off	11 593 940	-214 333
Balance at end of year	7 958 771	13 974 421

18 Operating lease assets (accrual)

	2012	2011
Current assets	176 954	204 632
	176 954	204 632

Correction of prior year: refer to note 32

Municipality as lessor: Operating leases minimum future receivables		
Not later than one year	113 345	103 760
Later than one year no later than 5 years	333 311	369 791
Later than 5 years	349 585	426 451

19 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:

Current bank account (Primary bank account)

	2012	2011
ABSA Bank - Tzaneen Branch		
Account number - 1260850527		
Cash book balance at beginning of year	22 198 274	-4 159 424
Cash book balance at end of year	50 277 604	22 198 274
EFF Bank Acc		
ABSA Bank - Tzaneen Branch		
Account number - 4056018122		
Bank statement balance at beginning of year	0	941
Bank statement balance at end of year	0	0
AFF Bank Acc		
ABSA Bank - Tzaneen Branch		
Account number - 4056017980		
Bank statement balance at beginning of year	0	941
Bank statement balance at end of year	0	0
Rates & General		
ABSA Bank - Tzaneen Branch		
Account number - 4051444332		
Bank statement balance at beginning of year	0	0
Bank statement balance at end of year	0	0
Grants Account		
ABSA Bank - Tzaneen Branch		
Account number - 9093767307		
Bank statement balance at beginning of year	0	8 308
Bank statement balance at end of year	0	0
ABSA Bank - Tzaneen Branch		
Account number - 4056018237		
Bank statement balance at beginning of year	0	941
Bank statement balance at end of year	0	0

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

ABSA Bank - Tzaneen Branch
Account number - 4048964222

Bank statement balance at beginning of year	32 338 697	1 668 841
Bank statement balance at end of year	51 117 022	32 338 697

ABSA Bank - Tzaneen Branch
Account number - 9081974980

Bank statement balance at beginning of year	150 942	19
Bank statement balance at end of year	795 656	150 942

No cash and cash equivalents, or portion thereof, was pledged as security for any financial liabilities.

No restrictions exist regarding the use of cash.

No portion is past due or impaired.

20 PROPERTY RATES

	2012 R	2011 R
Actual		
Residential	21 608 568	17 808 282
Commercial	17 992 058	14 460 403
State	5 281 074	5 140 257
Other	10 846 250	7 285 827
Total Assessment Rates	55 727 950	44 684 769

Valuations	July 2012 R000's	July 2011 R000's
Residential	3 484 735	3 393 917
Commercial	2 035 411	2 130 355
State	1 000 270	603 394
Municipal	254 914	286 861
Agriculture	4 029 496	4 801 837
Other	5 816	247 309
Total Property valuations	10 810 642	11 463 673

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. The same rate is applied on different categories of property and improvement valuations to determine assessment rates. Rebates are granted on various categories of properties. Interest at prime rate plus 1% is levied on outstanding rates and the prime rate of ABSA applies.The valuation roll has been extended for one year and new valuations will be effective from 1 July 2013

21 SERVICE CHARGES

	2012	2011
Sale of electricity	307 269 216	248 402 412
Refuse removal	21 229 834	17 579 913
Indigent Charges	212 382	206 799
Other	595 029	748 320
Total Service Charges	329 306 461	266 937 444

Greater Tzaneen Municipality acts as service provider for Mopani District Municipality with regard to the water and sewer services. Mopani District Municipality is the water and sewer service authority and those services reflects in their records

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

22 GOVERNMENT GRANTS AND SUBSIDIES

National MSIG	690 200	750 000
Provincial Local Government	5 702 009	4 875 648
Finance Management Grant	1 250 000	1 017 381
Equitable share	167 203 000	141 860 986
SETA	271 697	53 754
MIG	25 230 782	38 533 057
National - Electrification Grant	6 244 372	6 469 852
National - Solid Waste Grant	1 705 000	0
	208 297 060	193 660 678

Drought Relief Programme

Balance unspent at beginning of year	30 702	30 702
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities	30 702	30 702

The grant is targeting communities without primary potable water, mainly attributed by drought. The aim is to provide primary water to a minimum of 25lt per day in the proposed area.

MFMG

Balance unspent at beginning of year	0	17 381
Current year receipts		1 000 000
Conditions met - transferred to revenue		-1 017 381
Conditions still to be met - transferred to liabilities	0	0

MFMG funds are used to facilitate GRAP and MFMA.To capacitate employees by having programmes such as: The Municipal Finance Management Internship Programme

Equitable Share

In terms of the constitution this is an unconditional grant used to subsidise the provision of basic services to the indigent community households

SETA

Balance unspent at beginning of year	990 095	1 043 849
Current year receipts		0
Transfers		0
Conditions met - transferred to revenue	-271 697	-53 754
Conditions still to be met - transferred to liabilities	718 398	990 095

The grant is used to pay for training courses. It supplement/augment the funds on the training vote.It is used to set off the primary and secondary skills development facilitators when they are out of the office on skills development related matters.

MIG Grant

Balance unspent at beginning of year	1 191 323	12 056 580
Current year receipts	46 712 000	17 934 916
Admin fees	-5 200 557	-1 456 200
Conditions met - transferred to revenue	-22 132 265	-27 343 973
Conditions still to be met - transferred to liabilities	20 570 501	1 191 323

MIG Funds are used to upgrade and build new infrastructure up to a basic level of service as well as to rehabilitate existing infrastructure for the poorest of the poor.

Department of Trade & Mineral

Balance unspent at beginning of year	336 118	743 047
Current year receipts	594 398	0
Conditions met - transferred to revenue		-406 929
Conditions still to be met - transferred to liabilities	930 516	336 118

The main aim of this grant was to supply the farmers(workers) with electricity and the funds were used for the electrification of the farmers houses (the workers house) within the GTM. This was according to the DME (Department of minerals and Energy standards).

GREATER TZANEEN MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

National Electrification Grant		
Balance unspent at beginning of year	4 469 438	4 128 246
Current year receipts	5 000 000	10 000 000
Conditions met - transferred to revenue	-5 477 519	-9 158 808
Aministration fees	-1 016 853	-500 000
Conditions still to be met - transferred to liabilities	2 975 066	4 469 438

The grant was used for electrification of farm labour housing and schools

Community Based Projects		
Balance unspent at beginning of year	413 430	413 430
Current year receipts		
Conditions met - transferred to revenue	-58 552	
Conditions still to be met - transferred to liabilities	356 878	413 430

The funds were used for the training of lead facilitators, ward-based facilitators and lastly community based projects roll out to the wards. This process took place from December 2003 to date.

Umsombovu Youth Fund		
Balance unspent at beginning of year	0	49 767
Current year receipts		
Conditions met - transferred to revenue		-49 767
Conditions still to be met - transferred to liabilities	0	0

The funds are used for the lunching of the project, also to pay for the Insurance and the graduation of the Youth that are in the project.

EU GRANT FRUIT & NUT CLUSTER		
Balance unspent at beginning of year	-645 758	-695 525
Current year receipts		49 767
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities	-645 758	-645 758

This grant was used for a hawker feasebility study

NEIGHBOURHOOD GRANT		
Balance unspent at beginning of year	8 572 359	3 190 481
Current year receipts	12 000 000	10 620 000
Conditions met - transferred to revenue	-6 239 854	-5 238 122
Conditions still to be met - transferred to liabilities	14 332 505	8 572 359

These funds were used to embellish the enterances of varuise towns and villages

CLEANEST TOWN		
Balance unspent at beginning of year	450 766	450 766
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities	450 766	450 766

Funds received through the greenest town complition were used to provide schools in villages wihth refuse removal skips

MSIG - ESTABLISHMENT GRANT		
Balance unspent at beginning of year	0	148 595
Current year receipts	790 000	750 000
Conditions met - transferred to revenue	-690 200	-898 595
Conditions still to be met - transferred to liabilities	99 800	0

UPGRADING SPORT FACILITIES		
Balance unspent at beginning of year	100 623	100 623
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities	100 623	100 623

This grant was used to upgrade sport facilities in towns and villages

CHANGES IN LEVELS OF GOVERNMENT GRANTS	2012 R	2011 R

Based on the allocation set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

23 OTHER INCOME

Insurance claims	1 039 837	1 264 941
Valuation certificates	24 165	19 351
Non Refundable deposits	3 760	3 110
Environmental health services	38 627	51 755
Library servise	16 621	19 188
Other income	6 043 071	4 010 725
Total other Income	7 166 071	5 369 070

24 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	101 908 806	99 076 747
Employee related costs - Social contributions	30 106 659	33 207 804
Travel allowance	6 038 988	4 911 581
Housing allowance	1 331 040	1 050 254
Overtime payments	11 956 797	9 294 563
Performance bonus	497 425	410 091
Less: Employee costs capitalised to Property, Plant and Equip	0	0
Less: Employee costs included in other expenses	54 101 566	55 825 896
Total Employee Related Costs	97 737 149	91 125 144

There were no advances to employees.

Remuneration of the Municipal Manager		
Annual Remuneration	954 138	634 370
Performance Bonuses	51 407	0
Total	1 005 545	634 370

Remuneration of the Chief Finance Officer		
Annual Remuneration	913 863	909 095
Performance Bonuses		0
Total	913 863	909 095

	2012	2011
Remuneration of Individual Directors		
Community Services	903 997	756 768
Corporate Services	0	659 145
Engineering Services	0	693 704
Electrical Engineering	909 934	799 211
Planning & Economic Development	906 397	756 768
Total	2 720 328	3 666 596

25 REMUNERATION OF COUNCILLORS

	2012	2011
	R	R
Mayor	658 262	605 596
Councillors Allowances	11 191 304	10 716 651
Executive Committee Allowances	1 478 577	1 419 566
Speaker Allowances	630 757	499 431
Full Time Councillors	2 796 244	1 986 713
Medical Fund Contributions		
	16 655 144	15 227 957

In-kind Benefits

The Mayor, Speaker and five Councillor are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has one full-time Secretary and one pa.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

26 Repairs & Maintanance

Machinery & Equipment	187 839	164 990
Lawnmowers	2 462 212	2 497 536
Distribution Networks	24 880 256	22 690 258
Stormwater Drainage & Bridges	7 012 149	7 543 859
Tarred Roads	12 504 513	21 219 943
Gravel Roads	11 886 591	13 471 993
Sidewalks & Pavements	3 436 099	4 106 724
Streetlights	694 930	713 741
Council-Owned Land	8 240 397	8 728 619
Council-Owned Buildings	6 685 774	6 309 634
Council-Owned Vehicles	11 743 118	11 626 182
Non-Council-Owned Assets - Contractors	164 762	285 104
Others	815 679	1 623 237
Total Repairs & Maintanance	90 714 319	100 981 820

27 INTEREST ON EXTERNAL BORROWINGS

Long term liabilities	12 054 685	7 232 422
Finance leases	711 823	551 094
Bank overdrafts		
Total Interest on External Borrowings	12 766 508	7 783 516

28 BULK PURCHASES

	2012 R	2011 R
Electricity	204 802 906	176 451 428
Total Bulk Purchases	204 802 906	176 451 428

29 CONTRACTED SERVICES

Contracted services for:		
Information Technology	391 223	433 915
Meter reading	1 780 633	1 738 055
Security Services	8 494 752	7 318 141
Refuse removal	7 248 067	8 875 316
Cleaning Services	7 920 955	6 917 687
Valuation roll	1 906 522	1 165 403
Town Planning	360 166	30 527
Aerodrum	107 833	165 632
EPWP	692 437	0
	28 882 588	26 644 676

30 GRANTS & SUBSIDIES PAID

Sport Council	106 644	106 644
SPCA	90 000	90 000
Mayor Special Account	12 701	59 242
Mayor Bursary Account	147 450	174 890
Eskom EBSST	2 836 792	2 622 667
Seta (Training)	271 697	53 764
Deparlment of Trade & Mineral	594 398	406 929
HPH	6 239 854	3 877 302
MSIG	690 200	750 000
Other grants	14 760 034	21 757 029
	24 560 971	29 898 457

31 GENERAL EXPENDITUE

	2012 R	2011 R
Auditors Fees	2 329 249	1 650 022
Consumable Domestic Items	663 089	525 082
Fuel - Vehicles	4 037 191	3 234 470
Insurance	2 772 959	3 480 559
Insurance Claims Own Expenditure	7 260 780	6 784 892
Leases - Photocopiers	380 060	0
Membership Fees - Salga	1 189 262	732 385
Non-Capital Tools & Equipment	1 760 735	216 440
Postage & Courier Fees	904 265	752 368
Printing & Stationery	1 427 452	1 229 623
Prodiba Share - Drivers Licence Fee	96 365	2 648 600
Protective Clothing	563 944	525 162
Provincial Share - Vehicle Licence Fee	0	
Public Education And Training	48 986	96 928
Rent - Telephone Exchange	635 077	353 710
Rental Computer	575 991	416 096
Subsistance & Travelling Expenses	5 769 772	5 627 691

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Telephone	1 890 069	2 006 800
Training Costs	1 133 108	781 384
Others	20 761 490	8 953 273
Total General Expenses	64 099 844	40 015 485

32 CORRECTION OF PRIOR PERIOD ERRORS

Certain comparative figures have been reclassified for fairer presentation of the information due to prior period errors. Refer to note 39 for prior period errors.

Prior period errors

The correction of errors results in adjustments for the 2009 year as set out below:

Take on of Infrastructure prior to 1/07/2010	
Increase in Infrastructure Asset	14 396 554
Increase in Infrastructure Accumulated Depreciation	(2 414 632)
Net effect on Statement of Financial Position	11 981 922
Increase in Accumulated Surplus	(11 981 922)
Net effect on Statement of Changes in Net Assets	(11 981 922)
Take on of Land prior to 1/07/2010	
Increase in Land	95 643 921
Net effect on Statement of Financial Position	95 643 921
Increase in Accumulated Surplus	(95 643 921)
Net effect on Statement of Changes in Net Assets	(95 643 921)
Take on of Other Assets prior to 1/07/2010	
Increase in Other Assets	5 130 814
Increase in Other Assets Accumulated Depreciation	(2 487 777)
Net effect on Statement of Financial Position	2 643 037
Increase in Accumulated Surplus	(2 643 037)
Net effect on Statement of Changes in Net Assets.	(2 643 037)
Take on of Infrastructure prior to 1/07/2011	
Increase in Infrastructure	75 803
Increase in Infrastructure Accumulated Depreciation	(3 965)
Net effect on Statement of Financial Position	71 839
Increase in Accumulated Surplus	(71 839)
Net effect on Statement of Changes in Net Assets	(71 839)
Take on of Infrastructure - In respect of Life span changes due to unbundling	
Increase in Infrastructure Accumulated Depreciation	(6 896 053)
Net effect on Statement of Financial Position	(6 896 053)
Decrease in Accumulated Surplus	6 896 053
Net effect on Statement of Changes in Net Assets	6 896 053
Reallocation of Computer Equipment to Furniture and Fittings Due to Prior errors in classification	
Cost of Computer Equipment	(5 145)
Accumulated Depreciation of Computer Equipment	4 116
Cost of Furniture and Fittings	5 145
Accumulated Depreciation of Furniture and Fittings	(4 116)
Net effect on Statement of Financial Position	-
Reallocation of Computer Equipment to Office Equipment Due to Prior errors in classification	
Cost of Computer Equipment	(5 599)
Accumulated Depreciation of Computer Equipment	1 122
Cost of Office Equipment	5 599
Accumulated Depreciation of Office Equipment	(1 122)
Net effect on Statement of Financial Position	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reallocation of Computer Equipment to Plant & Machinery Due to Prior errors in classification	
Cost of Computer Equipment	(9 985)
Accumulated Depreciation of Computer Equipment	6 534
Cost of Plant & Machinery	9 985
Accumulated Depreciation of Plant & Machinery	(6 534)
Net effect on Statement of Financial Position	
Reallocation of Furniture & Fittings to Computer Equipment Due to Prior errors in classification	
Cost of Furniture and Fittings	(12 356)
Accumulated Depreciation of Furniture and Fittings	9 897
Cost of Computer Equipment	12 356
Accumulated Depreciation of Computer Equipment	(9 897)
Net effect on Statement of Financial Position	-
Reallocation of Furniture & Fittings to Office Equipment Due to Prior errors in classification	
Cost of Furniture and Fittings	(4 417)
Accumulated Depreciation of Furniture and Fittings	1 817
Cost of Office Equipment	4 417
Accumulated Depreciation of Office Equipment	(1 817)
Net effect on Statement of Financial Position	-
Reallocation of Furniture & Fittings to Plant & Machinery Due to Prior errors in classification	
Cost of Furniture and Fittings	(820)
Accumulated Depreciation of Furniture and Fittings	1
Cost of Plant & Machinery	820
Accumulated Depreciation of Plant & Machinery	(1)
Net effect on Statement of Financial Position	-
Reallocation of Infrastructure(Roads) To Community Assets(Buildings) Due to Prior errors in classification	
Cost of Infrastructure(Roads)	(522 515)
Accumulated Depreciation of Infrastructure(Roads)	52 359
Cost of Community Assets(Buildings)	522 515
Accumulated Depreciation of Community Assets(Buildings)	(52 359)
Net effect on Statement of Financial Position	(0)
Reallocation of Infrastructure(Roads) To Community Assets(Fencing) Due to Prior errors in classification	
Cost of Infrastructure(Roads)	(41 929)
Accumulated Depreciation of Infrastructure(Roads)	4 201
Cost of Community Assets(Fencing)	41 929
Accumulated Depreciation of Community Assets(Fencing)	(4 201)
Net effect on Statement of Financial Position	-
Reallocation of Infrastructure(Roads) To Community Assets(Roads & Subgrade) Due to Prior errors in classification	
Cost of Infrastructure(Roads)	(597 216)
Accumulated Depreciation of Infrastructure(Roads)	59 844
Cost of Community Assets(Roads & Subgrade)	597 216
Accumulated Depreciation of Community Assets(Roads & Subgrade)	(59 844)
Net effect on Statement of Financial Position	-
Reallocation of Infrastructure(Roads) To Community Assets(Roads) Due to Prior errors in classification	
Cost of Infrastructure(Roads)	(11 301 760)
Accumulated Depreciation of Infrastructure(Roads)	1 474 995
Cost of Community Assets(Roads)	11 301 760
Accumulated Depreciation of Community Assets(Roads)	(1 474 995)
Net effect on Statement of Financial Position	-
Reallocation of Infrastructure(Roads) to Infrstructure(Sormwater) Due to Prior errors in classification	
Cost of Infrastructure(Roads)	(41 532 409)
Accumulated Depreciation of Infrastructure(Roads)	11 507 782
Cost of Infrstructure(Sormwater)	41 532 409
Accumulated Depreciation of Infrstructure(Sormwater)	(11 507 782)
Net effect on Statement of Financial Position	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reallocation of Office Equipment to Motor Vehicles Due to Prior errors in classification	
Cost of Office Equipment	(26 288)
Accumulated Depreciation of Office Equipment	5 268
Cost of Motor Vehicle	26 288
Accumulated Depreciation of Motor Vehicle	(5 268)
Net effect on Statement of Financial Position	-

Reallocation of Office Equipment to Computer Equipment Due to Prior errors in classification	
Cost of Office Equipment	(2 662)
Accumulated Depreciation of Office Equipment	591
Cost of Computer Equipment	2 662
Accumulated Depreciation of Computer Equipment	(591)
Net effect on Statement of Financial Position	-

Reallocation of Office Equipment to Furniture & Fittings Due to Prior errors in classification	
Cost of Office Equipment	(10 649)
Accumulated Depreciation of Office Equipment	1 553
Cost of Furniture & Fittings	10 649
Accumulated Depreciation of Furniture & Fittings	(1 553)
Net effect on Statement of Financial Position	-

Reallocation of Office Equipment to Plant & Machinery Due to Prior errors in classification	
Cost of Office Equipment	(2 016)
Accumulated Depreciation of Office Equipment	1 791
Cost of Plant & Machinery	2 016
Accumulated Depreciation of Plant & Machinery	(1 791)
Net effect on Statement of Financial Position	-

Reallocation of Plant & Machinery to Computer Equipment Due to Prior errors in classification	
Cost of Plant & Machinery	(9 699)
Accumulated Depreciation of Plant & Machinery	2 874
Cost of Computer Equipment	9 699
Accumulated Depreciation of Computer Equipment	(2 874)
Net effect on Statement of Financial Position	-

Reallocation of Plant & Machinery to Furniture & Fittings Due to Prior errors in classification	
Cost of Plant & Machinery	(2 349)
Accumulated Depreciation of Plant & Machinery	789
Cost of Furniture & Fittings	2 349
Accumulated Depreciation of Furniture & Fittings	(789)
Net effect on Statement of Financial Position	-

Reallocation of Plant & Machinery to Motor Vehicles Due to Prior errors in classification	
Cost of Plant & Machinery	(37)
Accumulated Depreciation of Plant & Machinery	25
Cost of Motor Vehicles	37
Accumulated Depreciation of Motor Vehicles	(25)
Net effect on Statement of Financial Position	-

Reallocation of Plant & Machinery to Office Equipment Due to Prior errors in classification	
Cost of Plant & Machinery	(9 511)
Accumulated Depreciation of Plant & Machinery	5 908
Cost of Office Equipment	9 511
Accumulated Depreciation of Office Equipment	(5 908)
Net effect on Statement of Financial Position	-

Statement Of Position	
Assets	
Property, plant and equipment	103 444 666
Total Assets	103 444 666
Net assets and Liabilities	
Net surplus	(103 444 666)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Statement of financial performance	
Expenses	
Depreciation, amortisation and impairments	3 965
Surplus/(Deficit) for the period	3 965

Statement of Changes in Net Assets	
Balance at 1 July 2009	602 938 228
Loss for the year	(27 182 823)
Balance at 1 July 2010	575 755 405

33 GAIN / (LOSS) ON SALE OF ASSETS

Property plant and equipment	3 603	440 920
Other financial assets		-440 920
Total Gain / (Loss) on sale of assets	3 603	0

34 CASH GENERATED BY OPERATIONS

Net surplus for the year	-88 639 358	-64 273 246
Adjustments for:		
Depreciation	99 936 376	96 764 663
Gain on disposal of property plant & equipment		
Contributions to Provisions - non- current	7 535 017	12 205 844
Contributions to Provisions current	157 332	136 277
Transfers		-833 134
Interest received	-19 103 090	-16 370 168
Interest Paid	12 766 508	7 783 516
Operational surplus before working capital changes	12 652 784	35 413 752
Increase in inventories	-248 000	-2 835 303
Increase in Debtors	-7 968 949	-7 959 485
Decrease in other debtors	-23 055 317	-11 092 561
Increase in Conditional Grants	24 010 903	-5 768 846
Increase in Creditors	16 126 491	2 080 336
Cash generated by operations	21 517 912	9 817 893

35 CASH AND CASH EQUIVALENTS

	2012 R	2011 R
Balance at the end of the year	50 277 604	22 198 274
Balance at the beginning of the year	22 198 274	-4 416 509
Net increase / (decrease) in cash and cash equivalents	28 079 330	26 614 783

36 UTILISATION ON LONG-TERM LIABILITIES RECONCILIATION

Long term liabilities	151 904 163	116 219 768
Used to finance property, Plant and equipment	40 282 776	69 790 360
Sub-Total	111 621 387	46 429 408
Cash set aside for the repayment of loans		
Cash invested for repayment of loans	23 677 175	20 682 629
Cash invested for repayment of external loans	135 298 562	67 112 037

External loans have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that external loans can be repaid on redemption date. See note 1 for more detail

37 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

Unauthorised expenditure

Reconciliation of unauthorised expeniture	2012 R	2011 R
Opening Balance	0	21 677 942
Unauthorised expenditure for the year	0	0
Approved by council		-21 677 942
Closing balance	0	0

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Incident

Conditional Grants were not cash backed in 2010 / 2011

Disciplinary steps / Criminal proceedings

None

Irregular fruitless and wasteful expenditure	2012 R	2011 R
Reconciliation of fruitless and wasteful expenditure		
Opening balance		
Fruitless and wasteful expenditure	0	168 166
Loss of cash due to fraud	0	0
Transfer to Statement of Financial Performance		0
Closing balance	0	168 166

Incident

The Municipality had to pay interest charges on late payments to ESKOM of R 168 166.00 due to a shortfall in cash which resulted from the equitable share allocation received late in August 2010.Approved by council on 31 January2012

Disciplinary steps / Criminal proceedings

none

Reconciliation of irregular expenditure	2012 R	2011 R
Opening balance	0	
Irregular expenditure	0	1 251 503
Transfer to Statement of Financial Performance		
Closing balance	0	1 251 503

Incident

Increase in contract price of R 1 251 503 after contract was awarded to Kgosi Monene during the 2010 2011 financial year.Approved by council on 31 January 2012

Disciplinary steps / Criminal proceedings

None

38 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to SALGA

Opening balance	0	0
Council subscriptions	1 189 262	732 385
Amount paid - current year	-1 189 262	-732 385
Balance unpaid (included in creditors)	0	0

Audit Fees

Opening balance	0	0
Current year audit fee	2 329 249	1 650 022
Amount paid - Current year	-2 329 249	-1 650 022
Balance unpaid (included in creditors)	0	0

VAT	2012 R	2011 R

VAT is shown in notes 7. All VAT returns have been submitted by the due date throughout the year.

PAYE AND UIF

Opening balance	0	0
Current year payroll deductions	23 797 485	23 788 706
Amount paid - current year	-23 797 485	-23 788 706
Balance unpaid (included in creditors)	0	0

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Pension and Medical Aid Deductions

Opening balance	0	0
Current year payroll deductions and Control Contributions	32 131 196	30 787 032
Amount paid - Current year	-32 131 196	-30 787 032
Balance unpaid (included in creditors)	0	0

The balance represents pension and medical aid contributions deducted from employees in the June 2012 payroll as well as Council's contribution to pension and medical aid funds. These amounts were paid during July 2012

Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30th June 2012	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
Councillor : ME Ramolefo	2 351	2 351	0
Councillor : RE Pohl	3 870	3 870	0
Councillor : MG Mushwana	32 514	1 010	31 504
	38 736	7 231	31 504

30th June 2011	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
Councillor : C Machimana	237	17	220
Councillor : OJ Mushwana	2 229	2 229	
Councillor : MJ Mothiba	2 576	1 260	1 316
Councillor : JHS Mbhalati	7 938	522	7 416
Councillor : ME Ramolefo	1 579	1 199	381
Councillor : MC Nkhwashu	3 200	729	2 471
Councillor : RE Pohl	2 748	2 748	
Councillor : PJ Mkhabele	1 294	1 294	
Councillor : MG Mushwana	34 103	1 053	33 050
Councillor : MS Mbowani	7 693	1 153	6 540
Councillor : MB Malekutu	424	424	
Councillor : MS Mallula	811	811	
Councillor : MM Mogoboyo	323	323	
Councillor : MB Mnisi	627	627	
Councillor : G Baloyi	808	808	
Councillor : P McGaffin	1 701	1 701	
Total Councillor Arrear Consumer Account	68 292	16 897	51 395

During the Year the following Councillors had arrear accounts outstanding for more than 90 days

30th June 2012	Highest Amount Outstanding R	Ageing
Councillor : MG Mushwana	31 504	120 Days

30th June 2011	Highest Amount Outstanding R	Ageing
Councillor : C Machimana	220	120 Days
Councillor : MJ Mothiba	1 316	120 Days
Councillor : JHS Mbhalati	7 416	120 Days
Councillor : ME Ramolefo	381	120 Days
Councillor : MC Nkhwashu	2 471	120 Days
Councillor : MG Mushwana	33 050	120 Days
Councillor : MS Mboweni	6 540	120 Days

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

39 NON-COMPLIANCE WITH CHAPER11 OF THE MUNICIPAL FINANCE MANAGEMENT ACT

Deviation from Supply Chain Management Regulation

Paragraph 12 (1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a Supply Chain Management Policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same Gazette states that the Accounting Officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the Annual Financial Statements.

Please refer to Schedule 1 for a detailed schedule of the deviations from the Supply Chain Regulations.

40 CAPITAL COMMITMENTS

	2012 R	2011 R
Commitments in respect of capital expenditure:		
- Approved and contracted for	0	39 500 000
Infrastructure		39 500 000
- Approved but not yet contracted for	118 654 828	76 976 400
Infrastructure	105 464 828	66 631 400
Community	5 335 000	5 880 000
Heritage		
Other	7 855 000	4 465 000
Housing Development Fund		
Investment Properties		
Total	118 654 828	116 476 400

	2012	2011
This expenditure will be financed from:		
- Internal Advances	29 128 748	17 100 000
- External Loans	30 000 000	50 000 000
- Government Grants	5 000 000	49 376 400
- MIG Grants	54 526 080	
	118 654 828	116 476 400

41 RETIREMENT BENEFIT INFORMATION

Joint Municipal Pension Fund

The last valuations of the Joint Municipal Pension Fund was done on 30 September 2010.

The results of the valuation (with provision for some future pension increases) are as follows

Actuarial Valuation	2010 R'000	2009 R'000
Actuarial value of Assets	1 995 626	1 956 314
Total accrued liabilities	1 902 613	1 845 529
Solvency reserve	93 013	110 785
Surplus / (Deficit)	0	0

Funding level (including solvency) 100.0%

Municipal Employees Gratuity Fund

The last valuation of the Municipal Employees Gratuity Fund was done on 30 June 2011

Actuarial Valuation	2011 R'000	2010 R'000
Share account	11 257 721	9 544 376
Reserve Account	198 557	229 798
Value of Fund 30 June 2011	11 456 278	9 774 174

The fund is financial sound for the requirements of the Pension Fund Act.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Municipal Employees Pension Fund

The last valuation of the MEPF was done on 29 February 2008

Actuarial Valuation	29/02/2008 R'000	29/02/2008 R'000
Assets	5 715 557	5 715 557
Liabilities	4 900 547	4 900 548
Contingency Reserves	382 289	382 289
Surplus/(Deficit)	432 721	432 720

This represents a funding level of 108,2%.

Imatu Retirement Fund

The above mentioned fund is a defined contribution fund and according to regulation 2 of the Pension Fund of 1956 exempt from the provisions of sections 9A and 16 of the Act.

42 CONTINGENT LIABILITY

	2012 R	2011 R
Paper guarantees housing loan (ABSA)	1 000 000	1 000 000

A paper guaranty of R1 million has been negotiated with ABSA on behalf of officials in respect of housing loans. No collateral is needed by ABSA on housing loans.

	2012 R	2011 R
The Municipality is being sued by a member of the public for R708 446.78 for unlawfull arrest, detained,assaulted and publicly degraded by a Traffic Officer	708 446	708 446
The Municipality is being sued by 2 members of the public for R100 000 each for unlawful prosecution by our traffic department.	200 000	200 000
The Municipality is being sued by Dally Double cc and others for civil liability viz loss of earnings, profit and general financial loss	23 000 000	23 000 000
The Municipality is being sued by Thabo Molepo for unlawful arrest by the traffic officers of the municipality.	1 000 000	
The Municipality is being sued by Phadima Phadima Group regarding the sale of land.	900 000	
A high court case between Telegenix and the Municipality,where the Municipality sold land but the purchaser failed to honour payments.	1 500 000	
A disciplinary hearing regarding allegations of miscoduct between Adv Phatudi and the Municipality is still in progress.	1 000 000	
A disciplinary hearing regarding allegations of miscoduct between Thabo Ramokgano and the Municipality is still in progress.	1 000 000	

43 CONTIGENT ASSETS

The estimated amount of recoverable traffic fines for 2012 is R4 029 538 (2011:R 1 571 390),being 35% (2011: 25%) of all the traffic fines amounting to R7 080 208 (2011:R3 110 380) issued but not yet recovered at year end.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

44 RELATED PARTIES

Refer to Schedule 2 attached for detailed information.

Key management personnel information

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operational dicisions.

During the 2011/2012 financial year no Councillor or Official had any interest in related parties and no one could control or influence Council in making financial or operational decisions.

No remuneration was paid to family or key personnel.

There are no share based payments.

There are no post-employment benefit for key personnel.

45 FINANCIAL INSTRUMENTS

The main risks of the Municipality are interest rate risk,liquidity risk, credit risk and the fair value of financial instruments.

Interest rate risk

The Municipality is exposed to interest rate risk on its investments and long term borrowings.

This risk is managed by investing in investments with different maturity dates. This enables the Municipality to re-allocate some of the investments in the event of major fluctuations in the interest rates. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings at fixed rates expose the municipality to fair value interest rate risk.

Currency risk

The Municipality does not have currency risk as in terms of section 163 of the Municipal Finance Management Act, No. 56 of 2003, no municipality may incur a liability or risk payable in a foreign currency.

Liquidity risk

The Municipality's risk to liquidity is a result of the funds available to cover future commitments. The Municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

Credit risk

Credit risk consists mainly of cash deposits,cash equivalents and trade debtors.The municipality only deposits cash with major banks with high quality credit standing and limited exposure to any one counter-party.

The utilisation of credit limits is regulary monitored.

Financial assets exposed to credit risk at year-end were as follows.

Long term liabilities - Standard Bank	21 011 252	
Long term liabilities - Standard Bank	-13 281 875	
Long term liabilities - DBSA	-40 373 580	-35 010 350
Long term liabilities - ABSA	-11 600 000	-11 600 000
Long term liabilities - INCA	-18 110 312	-18 829 408
Long term liabilities - DBSA	32 527 144	34 780 000
Local regitered stock : DBSA	-15 000 000	-15 000 000
Finance lease liability	-6 689 106	-5 210 413
Investments - BOE	19 890 828	17 805 531
Investments - Liberty	3 786 347	2 777 098
Non-current receivables	170 566	2 900 263
Trade and other receivables	54 582 911	46 593 962

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Other receivables	104 587 605	116 587 927
Cash and cash equivalents	50 277 604	22 198 274
Trade and other payables	-88 933 087	-79 307 759
Consumer deposits	18 554 112	11 574 824
VAT payable	-25 738 089	-18 236 926
Unspent conditional grants and receipts	-39 910 997	-15 909 094
	3 699 719	54 213 929

These balances represent the maximum exposure to credit risk

Going Concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities,contigent obligations and commitments will occur in the ordinary course of business

The ability of the municipality to continue as agoing concern is dependent on a number of factors.The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality

Counterparties

The Municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The Municipality has no significant concentration of credit risk with any single counterparty or a group of counterparties.

46 COMPARISON WITH THE BUDGET

The comparison of the Municipalitys actual financial performance with that budgeted is set out in Annexure E(1) and E(2)

SCHEDULE 1

Deviations of supply chain management processes 2011 2012

DATE	DESCRIPTION OF BIDS	BID NUMBER	RELEVANT SECTION	BEC RECOMMENDATION	BAC RECOMMENDATION	AWARDED TO	AMOUNT	REASON FOR DEVIATION
Jul-Sept								
2011	Repairs on railway lines	N/A	ESD	N/A	N/A	Deerdup landgoed Cc	R 41 553.00	Only company which repairs railway lines around Tzaneen
	Purchase of NEC/NER	N/A	EES	N/A	N/A	Actom	R 215 361.96	Un availability of NEC/NER might result in major damages
	Purchase of spotlights and torches	N/A	EES	N/A	N/A	Messrs J Fortier	R 47 430.00	Sole suppier
							R 304 344.96	
Oct-Dec								
2011	Mayoral imbizos in ward 04 and ward 13 Xihoko and Mandlakazi	N/A	Corp	N/A	N/A	Swafanela trading project	R 13 400.00	Only one service provider responded
	Cutover to new cabling (CA	N/A	Corp	N/A	N/A	EOH infrastructure and technologies	R 38 919.60	Emergency
	Purchase of storm water pi	N/A	ESD	N/A	N/A	ROCLA	R 136 059.23	Only supplier in Limpopo
							R 188 378.83	
Jan-Mar	of Erf 1737 Nkowankowa B	N/A	PED	N/A	N/A	Shihundla Land	R 5 130.00	Only one quotation received
Apr-Jun	Purchasing of data cocentrators for monitoring purposes	N/A	EES	N/A	N/A	Actom	R 416 955.00	Sole suppier
2012	Supply of two 7.4Kw and 15Kw flight pumps for municipal hostels pump station	N/A	ESD	N/A	N/A	Jagger tec	R 142 267.62	Emergency
							R 559 222.62	

GREATER TZANEEN MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

SCHEDULE 1

Deviations of supply chain management processes 2010 2011

Description of bids	Bid number	Relevant Section	BEC recommendation	BAC recommendation	Awarded to	Amount of award
Actuarial Services	Quotation	Financ :Expenditure	N/A	N/A	ARCH Actuarial Consuling	R 33 060.00
Fire Detection System Servicing	Quotation	Building and Maintenance : ESM	N/A	N/A	QD Fire Systems cc	R 37 843.00
Building of Transformers of 2x20 MVA 66/11KVA OLTC Trfs	Closed Bid /Quotation	Electrical Engineering	N/A	N/A	Actom Power Transformers	R 10 264 370.00

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

SCHEDULE 2

RELATED PARTIES
2011 2012 Financial Year

Related party transactions awared to
Councillors or Officials in service of State

Name of person	Capacity in which person is in service	Successful tenderer	Contract No	Amount of award
NA	NA	NA	NA	NA

During the 2011/2012 financial year no Councillor or Official or Member of the audit committee had any interest in related parties transaction and no one could control or influence Council in making financial or operational decisions.

RELATED PARTIES
2010 2011 Financial Year

During the 2010/2011 financial year no Councillor or Official or Member of the audit committee had any interest in related parties and no one could control or influence Council in making financial or operational decisions.

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Balance at 30-06-2011	Received during the period	Redeemed written off during the period	Balance at 30-06-2012	Carrying Value of Property Plant & Equip	Other Costs in accordance with the MFMA
LONG-TERM LOANS : STOCK						
DBSA	15 000 000	0	0	15 000 000		
TOTAL LONG-TERM LOANS	15 000 000	0	0	15 000 000	0	0
ANNUITY LOAN LOANS						
ANNUITY LOAN STANDARD BANK		21 011 252		21 011 252		
ANNUITY LOAN STANDARD BANK		13 281 875		13 281 875		
ANNUITY LOAN DBSA	35 010 350	5 989 649	626 420	40 373 579		
ANNUITY LOAN ABSA	34 780 000	0	2 252 856	32 527 144		
ANNUITY LOAN INCA	19 829 408	0	1 719 096	18 110 312		
TOTAL ANNUITY LOANS	89 619 758	40 282 776	4 598 372	125 304 162	0	0
SINKING FUND						
SINKING FUND ABSA	11 600 000			11 600 000		
TOTAL SINKING FUND	11 600 000	0	0	11 600 000	0	0
TOTAL EXTERNAL LOANS	116 219 758	40 282 776	4 598 372	151 904 162	0	0

Appendix B

Analysis of Property Plant and Equipment as at 30 June 2012

Category	Cost 2012						Depreciation 2011-2012				
	Opening Cost	Additions	Additions FMV	Disposals	Capitalized WIP	Closing Cost	Opening Depreciation	Depreciation	Disposal Depreciation	Closing Depreciation	NBV
Community Assets											
Airports	128 000,00	0,00	0,00	0,00		128 000,00	128 000,00	0,00	0,00	128 000,00	0,00
Buildings	522 515,18	0,00	0,00	0,00		522 515,18	52 358,81	52 358,81	0,00	104 717,62	417 797,64
Cemetery	3 702 000,00	0,00	0,00	0,00		3 702 000,00	151 303,40	37 877,82	0,00	189 181,11	3 512 818,89
Fencing	41 928,55	0,00	0,00	0,00		41 928,35	4 201,40	4 201,40	0,00	8 402,80	33 525,52
Land & Buildings	2 010 000,00	0,00	0,00	0,00		2 010 000,00	0,00	0,00	0,00	0,00	2 010 000,00
Library	7 350 000,00	0,00	0,00	0,00		7 350 000,00	400 273,78	100 205,34	0,00	500 479,12	6 849 520,88
Municipal Offices	10 375 000,00	0,00	0,00	0,00		10 375 000,00	3 782 555,74	299 423,06	0,00	4 081 991,79	10 593 008,21
Museums	1 300 000,00	0,00	0,00	0,00		1 300 000,00	120 082,14	30 061,60	0,00	150 143,74	1 149 856,26
Parks	29 392 500,00	0,00	0,00	0,00		29 392 500,00	894 911,91	223 909,90	0,00	1 118 570,84	28 103 929,16
Recreational Facilities	8 439 665,92	0,00	0,00	0,00		8 439 665,92	3 093 412,78	754 818,01	0,00	3 848 231,40	4 592 435,52
Road & Subgrade	587 216,11	0,00	0,00	0,00		587 216,11	59 644,24	59 644,24	0,00	119 088,49	477 927,62
Roads	11 301 760,11	0,00	0,00	0,00		11 301 760,11	1 474 995,30	363 012,22	0,00	1 838 007,09	9 463 752,50
Traffic Centre	662 000,00	0,00	0,00	0,00		662 000,00	24 810,97	6 212,73	0,00	31 020,71	630 979,29
Sub Total	80 939 172,82	0,00	0,00	0,00	0,00	80 939 172,82	10 187 053,67	2 591 976,62	0,00	12 740 030,29	68 101 147,66
Infrastructure											
Buildings	142 000,00	0,00	0,00	0,00		142 000,00	9 024,70	28 474,30	0,00	37 499,01	104 500,99
Electricity	802 039 035,47	7 326 220,32	0,00	0,00		809 367 402,79	151 850 857,82	34 144 320,07	0,00	185 995 178,48	623 372 224,31
Electricitysupply/Reticulation	5 293 207,80	4 059 493,90	0,00	0,00		9 352 701,70	669 734,39	240 505,90	0,00	910 240,30	8 438 461,30
Land & Buildings	14 652 300,62	0,00	0,00	0,00		14 652 300,62	4 978 906,90	1 366 972,91	0,00	6 345 839,81	8 306 520,71
Refuse Sites	44 337 483,20	60 777,00	0,00	0,00		44 410 260,00	1 309 033,32	1 591 843,00	0,00	2 900 877,16	41 522 583,72
Roads	742 160 562,27	1 928 104,00	0,00	0,00		744 078 666,27	188 107 819,21	40 242 580,23	0,00	228 350 400,43	507 728 205,83
Solid Waste	1 014 858,01	737 413,00	0,00	0,00		2 051 271,01	60 609,47	60 609,47	0,00	121 218,93	1 930 752,08
Stormwater	41 632 409,09	0,00	0,00	0,00		41 632 409,09	11 507 782,07	3 134 634,30	0,00	14 642 416,36	26 989 992,71
Traffic (Is)	347 170,00	0,00	0,00	0,00		347 170,00	92 630,47	23 109,76	0,00	115 702,24	231 467,76
Sub Total	1 662 320 473,41	13 509 014,93	0,00	0,00	0,00	1 665 838 488,34	360 380 736,24	88 028 137,01	0,00	447 414 872,84	1 218 623 016,60
Investment Property											
Land	305 401 822,20	0,00	0,00	99 802 030,00		206 606 792,20	0,00	0,00	0,00	0,00	206 606 792,20
Sub Total	305 401 822,20	0,00	0,00	99 802 030,00	0,00	206 606 792,20	0,00	0,00	0,00	0,00	206 606 792,20
Land											
Land	142 016 771,12	0,00	0,00	0,00		142 016 771,12	0,00	0,00	0,00	0,00	142 016 771,12
Sub Total	142 016 771,12	0,00	0,00	0,00	0,00	142 016 771,12	0,00	0,00	0,00	0,00	142 016 771,12
Other Assets											
Buildings	5 410 005,21	0,00	0,00	0,00		5 410 005,21	1 116 077,20	279 551,20	0,00	1 396 228,40	4 019 776,02
Computer Equipment	3 227 739,02	459 031,12	0,00	22 100,15		3 669 470,99	1 740 457,03	550 077,35	19 586,86	2 271 042,60	1 397 537,49
Electricity	56 299,29	0,00	0,00	0,00		56 299,29	18 783,06	4 702,31	0,00	23 485,00	32 813,42
Furniture & Fittings	1 108 111,92	41 021,27	0,00	0,00		1 149 133,19	563 257,46	164 553,61	0,00	728 106,07	421 027,12
Health Equipment	159 070,99	0,00	0,00	0,00		159 070,99	59 136,30	25 637,72	0,00	94 772,02	64 298,38
Land	4 788,00	0,00	0,00	0,00		4 788,00	0,00	0,00	0,00	0,00	4 788,00
Motor Vehicles	11 000 008,20	26 520 006,15	0,00	0,00		37 521 004,41	6 098 300,60	2 306 767,09	0,00	8 404 027,00	29 050 476,52
Office Equipment	1 522 457,63	10 052,24	0,00	0,00		1 532 510,07	856 497,80	264 904,24	0,00	1 122 957,12	679 557,05
Parks	30 717,90	0,00	0,00	0,00		30 717,90	5 148,21	1 939,12	0,00	7 087,30	23 030,04
Plant & Machinery	7 528 416,27	907 566,21	0,00	0,00		8 436 982,48	2 204 759,01	815 109,30	0,00	3 079 867,94	5 350 114,54
Security Measures	600 044,76	0,00	0,00	0,00		600 044,76	90 207,23	22 093,02	0,00	112 300,10	487 190,63
Weapons	63 990,26	0,00	0,00	0,00		63 990,26	28 040,87	9 089,22	0,00	37 030,89	40 209,37
Sub Total	31 930 227,74	27 342 056,00	0,00	22 100,15	0,00	68 960 904,59	12 983 219,08	4 406 628,98	19 686,80	17 370 000,02	41 686 033,78
Software											
Software	98 184,50	1 282,50	0,00	0,00		99 466,00	16 047,64	33 163,89	0,00	49 831,43	49 635,37
Sub Total	98 184,50	1 282,50	0,00	0,00	0,00	99 466,00	16 047,64	33 163,89	0,00	49 831,43	49 635,37
Work In Progress											
Work In Progress	31 639 240,00	66 906 337,26	0,00	0,00	13 447 405,22	84 998 172,04					84 998 172,04
Sub Total	31 639 240,00	66 906 337,26	0,00	0,00	13 447 405,22	84 998 172,04	0,00	0,00	0,00	0,00	84 998 172,04
Leased Assets											
Leased Assets	18 566 056,50	4 213 992,40	0,00	8 364 249,21		14 415 428,84	11 643 848,73	4 007 101,18	8 364 249,21	7 376 700,70	7 038 938,14
Sub Total	18 566 056,50	4 213 992,40	0,00	8 364 249,21	0,00	14 415 428,84	11 643 848,73	4 007 101,18	8 364 249,21	7 376 700,70	7 038 938,14
Grand Total	2 202 080 377,21	111 973 664,14	0,00	108 350 269,36	13 447 405,22	2 255 866 285,77	393 207 524,21	100 046 997,05	8 372 836,09	484 960 688,07	1 770 104 700,09

Appendix C

Segmental Analysis of Property Plant And Equipment as at 30 June 2012

Row Labels	Opening Cost 2011 - 2012	Additions 2011 - 2012	Additions FMV 2011 - 2012	Disposals 2011 - 2012	Capatalized WIP	Closing Cost 2011 - 2012	Opening Depreciation 2011 - 2012	YTD Depreciation 2011 - 2012	Disposal Depreciation 2011 - 2012	Closing Depreciation 2011 - 2012	NBV 2011 - 2012
Community & Social Services	9 123 942.22	0.00	0.00	5 857.50		9 118 084.72	2 276 884.31	591 655.64	2 354.23	2 866 185.72	6 251 899.00
Electricity	888 046 121.51	77 539 671.58	0.00	0.00	11 463 523.57	952 122 289.52	155 240 564.68	36 312 015.88	0.00	191 552 580.56	760 569 688.96
Executive & Council	3 429 939.78	0.00	0.00	0.00		3 429 939.78	734 406.12	181 676.93	0.00	916 083.04	2 513 856.74
Finance & Admin	17 508 236.62	27 043 022.84	0.00	1 877.04		44 549 382.42	8 173 923.43	3 117 047.12	1 877.04	11 289 093.51	33 260 288.91
Health	122 781.17	0.00	0.00	0.00		122 781.17	43 274.91	10 788.84	0.00	54 063.75	68 717.42
Housing	344 136 828.50	0.00	0.00	96 882 830.00		247 253 998.50	9 216 047.72	2 303 654.01	0.00	11 519 701.74	235 734 296.77
Planning & Development	142 103 600.77	0.00	0.00	0.00		142 103 600.77	68 864.45	15 308.64	0.00	84 173.09	142 019 427.68
Public Safety	6 212 070.99	4 269 595.07	0.00	0.00		10 481 666.06	1 458 211.35	2 269 540.91	0.00	3 727 752.26	6 753 913.79
Road Transport	781 286 358.00	1 928 104.00	0.00	8 368 704.83	1 928 104.00	772 917 653.17	206 473 262.64	52 616 782.00	8 368 704.83	250 721 339.82	522 196 313.36
Sports & Recreation	57 074 207.98	0.00	0.00	0.00		57 074 207.98	6 041 023.33	1 503 232.37	0.00	7 544 255.69	49 529 952.29
Waste Management	15 034 573.45	293 190.65	0.00	0.00	55 777.65	15 271 986.45	3 438 147.58	1 059 957.32	0.00	4 498 104.90	10 773 881.55
Water	244 678.02	0.00	0.00	0.00		244 678.02	122 564.32	39 284.40	0.00	161 848.72	82 829.30
Water & Sanitation	375 038.21	0.00	0.00	0.00		375 038.21	349.38	25 053.89	0.00	25 403.27	349 634.94
Grand Total	2 262 698 377.21	111 073 584.14	0.00	105 259 269.36	13 447 405.22	2 255 065 286.77	393 287 524.21	100 045 997.95	8 372 936.09	484 980 586.07	1 770 104 700.69

These appendix includes intangible assets,investment properties and property plant and equipment.

APPENDIX D

SEGMENTAL INCOME STETEMENT FOR THE YEAR ENDED

2011 ACTUAL INCOME R	2011 ACTUAL EXPENDITURE R	2 011 SURPLUS/ (DEFICIT R		2012 ACTUAL INCOME R	2012 ACTUAL EXPENDITURE R	2012 SURPLUS/ (DEFICIT) R
124 663	3 255 602	-3 130 939	Community & Social Services	103 289	3 376 497	-3 273 208
259 614 029	271 751 170	-12 137 141	Electricity	313 513 588	298 027 395	15 486 193
0	23 351 766	-23 351 766	Executive & Council	0	23 708 787	-23 708 787
201 069 764	82 209 412	118 860 352	Finance & Admin	256 546 336	204 665 811	51 880 525
51 755	4 906 770	-4 855 015	Health	38 627	4 203 327	-4 164 700
842 258	10 323 307	-9 481 049	Housing	752 122	10 118 882	-9 366 760
4 555 711	15 286 664	-10 730 953	Planning & Development	5 803 749	18 616 734	-12 812 985
2 851 562	21 129 592	-18 278 030	Public Safety	6 170 926	18 952 376	-12 781 450
64 585 671	136 783 034	-72 197 363	Road Transport	71 587 793	134 037 786	-62 449 993
31 060	14 884 377	-14 853 317	Sport & Recreation	36 719	13 583 392	-13 546 673
0	3 346 320	-3 346 320	Waste Management		2 775 690	-2 775 690
30 551 211	41 322 916	-10 771 705	Waste Water Management	22 934 834	34 060 665	-11 125 831
		0	Other			0
564 277 684	628 550 930	-64 273 246	Sub Total	677 487 983	766 127 342	-88 639 359
			Less Inter-Dep Charges			
564 277 684	628 550 930	-64 273 246	Total	677 487 983	766 127 342	-88 639 359

APPENDIX E(1)

ACTUAL VERSES BUDGET FOR THE YEAR ENDED 30 JUNE 2012

REVENUE	2012 ACTUAL (R)	2012 BUDGET (R)	2012 VARIANCE (R)	2012 VARIANCE (%)	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 10% VERSUS BUDGET
Property rates	55 727 950	45 591 966	-10 135 984	-18,19%	Properties not listed in deeds office. Valuation roll updated
Property reates - Penalties imposed and collection c	3 106 571	3 161 860	55 289	1.78%	
Service charges	329 306 460	323 912 265	-5 394 195	-1.64%	
Rental of facilities and equipment	393 210	233 006	-160 204	-40.74%	
Interest earned - external investments	5 159 947	51 000	-5 108 947	-99.01%	Previos years cash flow constraints addressed. Funds available to invest.
Interest earned - outstanding debtors	13 943 143	14 684 720	741 577	5.32%	
Fines	7 009 597	2 330 136	-4 679 461	-66.76%	Contractor appointed to recover oustanding traffic fines.
Licences and permits	498 951	303 250	-195 701	-39.22%	
Income for agency services	47 233 158	43 643 100	-3 590 058	-7.60%	
Government grants and subsidies	208 297 060	243 502 531	35 205 471	16.90%	
Other Income	6 815 438	3 791 783	-3 023 655	-44.36%	
Public contributions, donated/contributed PPE		0	0	0.00%	
Gains on disposal of property, plant and equipmen	-3 503	1 500 000	1 503 503	-42920.44%	
Operating Income generated	677 487 982	682 705 617	5 217 635	0.77%	
Less Income Foregone			0	0.00%	
Total Operating Income	677 487 982	682 705 617		0.77%	
EXPENDITURE					
Employee related costs	97 737 149	90 606 731	-7 130 418	-7.30%	R 7,3million provided for Post-Employment Health Care benefits & Long Serv. Award
Remuneration of Councillors	16 655 144	17 033 861	378 717	2.27%	
Bad debts	12 496 142	8 494 978	-4 001 164	-32.02%	
Collection costs	317 328	200 000	-117 328	-36.97%	
Loss on Inventory	-38 856	0	38 856	-100.00%	Increase in Inventory.
Depreciation	99 936 375	94 703 888	-5 232 487	-5.24%	
Repairs and maintenance	90 714 319	95 823 526	5 109 207	5.63%	
Interest on external borrowings	12 766 508	15 722 688	2 956 180	23.16%	Standard Bank loan approved late in the year (30 June 2012).
Impairment of assets	96 882 830	0	-96 882 830	-100.00%	
Bulk purchases	204 802 906	206 911 937	2 109 031	1.03%	
Contracted services	28 892 588	34 766 275	5 873 687	20.33%	Termination of vegetation control contract.Service to be performed inhouse.
Grants and subsidies paid	24 560 971	28 872 349	4 311 378	17.55%	
General expenses - other (including abnormal exper	80 403 937	81 979 501	1 575 564	1.96%	
Contributions to/(transfers from) provisions		0	0	0.00%	
Loss on disposal of property, plant and equipment		0	0	0.00%	
Cash Requirement		0	0	0.00%	
Total Expenditure	766 127 341	675 115 734	-91 011 607	-11.88%	
NET SURPLUS (DEFICIT)FOR THE YEAR	-88 639 359	7 589 883	96 229 242	-108.56%	

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
APPENDIXES TO THE ANNUAL FINANCIAL STATEMENTS

APPENDIX E(2)

ACTUAL VERSUS BUDGET(ACUISITION OF PROPERTY ,PLANT AND EQUIPMENT)FOR THE YEAR ENDED 30 JUNE 2012

	OPENING BALANCE	ACTUAL	UNDER CONSTRUCTION	DISPOSALS	CAPITALISED WIP	TOTAL ADDITIONS	2012 BUDGET	2012 VARIANCE	2012 VARIANCE %	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 5% VERSUS BUDGET
Community & Social Services	9 123 942	0	0	5 858		0	0	0	0%	
Electricity	886 046 122	77 539 672	0	0	11 463 524	77 539 672	31 500 000	46 039 672	146%	
Executive & Council	3 429 940	0	0	0		0	500 000	-500 000	-100%	
Finance & Admin	17 508 237	27 043 023	0	1 877		27 043 023	1 000 000	26 043 023	2604%	
Health	122 781	0	0	0		0		0	0%	
Housing	344 136 829	0	0	96 882 830		0		0	0%	
Planning & Development	142 103 601	0	0	0		0	500 000	-500 000	-100%	
Public Safety	6 212 071	4 269 595	0	0		4 269 595		4 269 595	0%	
Road Transport	781 286 358	1 928 104	0	8 368 705	1 928 104	1 928 104	86 212 000	-84 283 896	-98%	
Sports & Recreation	57 074 208	0	0	0		0		0	0%	
Waste Management	15 034 573	293 191	0	0	55 778	293 191	1 000 000	-706 809	-71%	
Water	244 678	0	0	0		0		0	0%	
Water & Sanitation	375 038	0	0	0		0				
TOTAL	2 262 698 377	111 073 584	0	105 259 269	13 447 405	111 073 584	120 712 000	-9 638 416		